USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 2006/6/1

GAIN Report Number: TW6013

Taiwan

Grain and Feed

Annual

2006

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Report Highlights:
Taiwan's wheat imports are forecast to fall slightly to 1.05 million metric tons in 2006/07. Although importers may continue experimenting with small volumes of non-U.S. feed wheat imports, the United States is expected to keep an 85+ percent share of the wheat market during the forecast period. Taiwan's demand for corn imports in 2006/07 is forecast at 4.85 million metric tons. Most of this decrease will come from falling Taiwan broiler production resulting from the 2005 liberalization of chicken meat imports. Rice imports are expected to remain at the quota level of 144,720 tons, with the U.S. remaining the dominant supplier in the public sector while Thailand supplies most of the private sector imports.

Note: The current exchange rate is $1 = NT$31.99. **(Corrected Edition)**

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Taipei [TW1]
[TW]

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SECTION I. COMMODITY SITUATION AND OUTLOOK

Summary

This is a corrected edition of TW6013. Import numbers in trade year have been changed to the same as that of the marketing year for wheat and corn. Stocks for corn are also adjusted down to 1.5 to 2 months of consumption under normal trade conditions. The PSD tables for wheat and corn are revised accordingly. Taiwan's corn import demand for 2005/06 and 2006/07 is also revised to 4.9 and 4.85 million metric tons, respectively.

Demand for wheat and corn imports in 2005/06 is forecast at 1.10 and 4.9 million metric tons, respectively. Taiwan has been an important and stable market for U.S. wheat and corn. Taiwan is the 8th largest market for U.S. wheat exports and the 3rd largest market for U.S. corn exports. In 2005 the US supplied 85 percent of wheat imports and 97 percent of corn imports. Since the January 2002 entry of Chinese Taipei to the World Trade Organization, Taiwan has allowed the import of 144,720 tons of rice on a brown basis – currently via a TRQ. U.S. rice has been a leading supplier of Taiwan rice imports. Over the four-year period from 2002 to 2005, The United States supplied 59 percent of Taiwan rice imports. U.S. rice exports to Taiwan are forecast to remain at or over 82,000 tons per year based on the current market access regime. The rice market access tonnage is expected to remain unchanged until the Doha Development Agenda WTO negotiations are completed.

Wheat Situation & Outlook

Table 1. Wheat Production, Supply and Demand, 1,000 MT

PSD Table							
Country	Taiwan						
Commodity	Wheat				(1000 HA)(1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	289	289	289	361	269	321	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1146	1190	1100	1100	0	1050	(1000 MT)
Jul-Jun Imports	1146	1190	1100	1100	0	1050	(1000 MT)
Jul-Jun Import U.S.	971	1021	0	935	0	900	(1000 MT)
TOTAL SUPPLY	1435	1479	1389	1461	269	1371	(1000 MT)
TOTAL Mkt. Yr. Exports	26	0	20	0	0	0	(1000 MT)
Jul-Jun Exports	26	0	20	0	0	0	(1000 MT)
Feed Dom. Consumption	100	68	100	100	0	100	(1000 MT)
TOTAL Dom. Consumption	1120	1118	1100	1140	0	1140	(1000 MT)
Ending Stocks	289	361	269	321	0	231	(1000 MT)
TOTAL DISTRIBUTION	1435	1479	1389	1461	0	1371	(1000 MT)

Production

Taiwan's wheat production is negligible. All demand is met by imports.

Consumption

Taiwan's wheat demand is approximately 1.14 million metric tons, of which 1.02 million metric tons is for flour milling, 20 thousand metric tons is for fermentation or brewing, and about 100 thousand metric tons is for feed use. Taiwan's overall wheat consumption for flour milling is basically stable, whereas wheat for feed use varies each year. Consumption of wheat food products may increase slowly, despite already high per-capita levels. Supporting this increase is high noodle consumption and a dynamic wheat-based food market driven by Taiwan's 6,000 bakeries, convenience stores, and supermarkets. Intense competition between food manufacturers and strong public interest in new food items encourages a high number of product introductions. This boosts demand for wheat-based food products, which is supported by production of specialty flour. There are more than 30 different types of specialty flour on the Taiwan market. Whole-wheat flour consumption is increasing due to increased health consciousness in the current market and an increase in food safety scandal cases.

Trade

Since Taiwan does not produce wheat, all demand is met by imports. Importers sometimes experiment with small imports of feed wheat to offset high corn prices. The United States is expected to keep an 85+ percent share of the overall wheat market during the forecast period. In 2004/05, the U.S. had an 86 percent share, while Australia supplied 9 percent; India 4 percent and others combined 1 percent. All wheat sourced from India was for feed. The United States had 89 percent share of Taiwan's total milling wheat imports, while Australia supplied 11 percent.

As for milling wheat, Taiwan imports mostly U.S. #1 wheat. According to the Taiwan Flour Millers' Association (TFMA), in 2005 approximately 53 percent of milling wheat imports were HRS or DNS, while 26 percent was HRW, 10 percent Soft or Western White Wheat, and 0.5 percent hard white. The remaining imports were Australian prime hard (8 percent) and Australian Hard (3 percent). This mix varies each year mostly depending on quality for the different classes of wheat. Despite its already high levels, the U.S. market share for milling wheat has potential to further increase over time because of the introduction of U.S. Hard White Wheat into export channels in 2004. The superior milling characteristics and price competitiveness of Hard White Wheat are expected to cut Taiwan imports of Australian hard wheat. Although a supply constraint has limited Taiwan imports of U.S. Hard White to only 5,000 tons in 2005 and 10,000 tons in 2006 so far, the upward trend for Hard White is expected to continue. Taiwan wheat importers have mentioned that a stable wheat supply with reliable gluten quality is critical for maintaining quality control of flour milling and Chinese noodle making.

Feed wheat imports are expected to remain small in the upcoming marketing year, with the forecast at around 100 thousand metric tons, sourced primarily from India and some from Ukraine, Russia and the United States. Taiwan imposes the same tariffs on milling wheat and feed wheat, which discourages feed wheat imports. These imports by Taiwan swine producers were primarily a result of high corn prices. Taking Indian feed wheat as an example, in 2004/05, the average feed wheat CIF price was $141/mt versus $155/mt for corn.

Flour imports will likely remain very low. In general, Taiwan imports a very small amount of wheat flour that only accounts for about 2 percent of the total supply. Flour imports in 2005 were 23 thousand metric tons, an increase of 5 thousand metric tons from a year earlier. Japan supplied 12 thousand metric tons, Australia and Vietnam supplied 6 and 4 thousand metric tons respectively. Flour exports in 2005 were 5 thousand metric tons, primarily to Hong Kong.

Stocks

Taiwan ending stocks for 2005/06 and 2006/07 are expected to be higher than the recent historical average of around three months of consumption. Stocks are above normal levels because of volatile world wheat prices. Taiwan usually steps up purchases in response to increasing prices and postpones them when world grain prices fall.

Stocks Subcategory
Enter stocks subcategory text here

Policy

Cross-Straits Trade

The most serious potential threat to U.S. wheat exports is an opening to PRC flour, wheat or processed products. Although liberalization continues to be delayed by cross-straits relations, local industry sources expect Taiwan to eventually lift import bans on PRC products. Currently, Taiwan authorities review these restrictions every six months. Taiwan authorities also consider liberalization petitions from local companies or industrial groups every two months. However, the ruling party's pro-Independence stance and resistance to integration with the Mainland makes it unlikely that Taiwan will reward China with wheat or wheat product market liberalization any time soon. However, recent opposition party visits to PRC indicate a thaw in cross-straits relations is possible. In addition, the PRC has shown an increased willingness to resolve bilateral phytosanitary issues and to provide MFN for Taiwan's agricultural product exports. Eventually, Taiwan may have to reciprocate.

If PRC imports of noodles and other processed products were allowed, PRC products could compete strongly in the Taiwan instant noodle market. To prepare for this eventuality, Taiwan's largest two instant noodle producers have invested heavily in Mainland China and plan to ship from the PRC if Taiwan ends its import ban. In preparation for liberalization, one instant noodle company already uses the same brand names for products sold on both sides of the Taiwan Strait. Since a potential flood of Chinese products would greatly influence the Taiwan flour and instant noodle market and possibly increase unemployment in a contracting wheat/noodle sector, Taiwan will be reluctant to lift the ban.

Although the entry of PRC products would likely disrupt the Taiwan wheat market, direct sales of Chinese wheat and wheat flour would face stiffer competition. The dominant position of U.S. wheat in the market, its reliable quality and supply along with the technical support offered by U.S. Wheat Associates will make Taiwan millers and food manufacturers reluctant to switch to alternative suppliers. Taiwan wheat millers and importers appreciated service provided by the Grain Inspection, packers and stockyards Administration (GIPSA) for investigating weight discrepancies of shipments in question last year. According TFMA, members are satisfied with all receiving wheat shipments regarding the weight issue. Currently, receiving shipments are within a tolerance level of 0.2 to 0.25 percent of weight difference from their loading weight.

In the long-run, PRC wheat and products are expected to affect U.S. wheat exports to Taiwan by cutting demand for HRW, WW and SW wheat while possibly boosting it for DNS wheat. Since China produces middle protein wheat and little high protein wheat, Taiwan millers anticipate stiff competition in the low-end flour market, where flour is used for making cookies and gluten products that account for 12 percent of the total flour market. On the other hand, Taiwan millers hope to supply high quality flour to the Mainland if China reciprocates a Taiwan market opening. Outside of the milling sector, China's potential for feed grain production has stimulated Taiwan feed miller interest in importing PRC feed wheat, especially if corn prices remain high.

Taiwan Buying Practices and Investment Plans

The Taiwan flour milling industry continues to import through its long-standing collective group purchasing system under which companies pool their funds and jointly bring in large grain shipments to cut costs. To increase Taiwan's milling competitiveness, the industry is considering the construction of a NT$1.5 billion ($45 million) flour mill with an annual capacity of 600,000 tons of wheat at Taichung harbor in central Taiwan.

Corn Situation & Outlook

Table 2. Corn Production, Supply and Demand, 1,000 MT

PSD Table							
Country	Taiwan						
Commodity	Corn				(1000 HA)(1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Harvested	10	9	10	9	0	9	(1000 HA)
Beginning Stocks	1660	825	1562	762	1592	682	(1000 MT)
Production	50	46	50	48	0	48	(1000 MT)
TOTAL Mkt. Yr. Imports	4562	4976	4600	4900	0	4850	(1000 MT)
Oct-Sep Imports	4562	4976	4600	4900	0	4850	(1000 MT)
Oct-Sep Import U.S.	4449	4846	0	4655	0	4655	(1000 MT)
TOTAL SUPPLY	6272	5847	6212	5710	1592	5580	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	4500	4875	4400	4818	0	4738	(1000 MT)
TOTAL Dom. Consumption	4710	5085	4620	5028	0	4948	(1000 MT)
Ending Stocks	1562	762	1592	682	0	632	(1000 MT)
TOTAL DISTRIBUTION	6272	5847	6212	5710	0	5580	(1000 MT)

Corn Production

Taiwan is not expected to produce corn for feed use in any significant quantities. Without a significant production subsidy, domestically produced corn is not competitive with imported products. In recent years, domestically produced feed corn has accounted for marginal one percent of total corn consumption. Nearly all demand for feed grain is met by imports.

Consumption

Except 200,000 tons of corn that is wet milled to produce corn syrup and 10,000 tons dry milled to produce corn meal/grit, corn consumption is for feed use.

Taiwan's demand for feed corn is forecast to shrink one to two percent from 2004/05 in line with an expected reduction in poultry production caused by increasing meat imports. Total feed demand is forecast at 7.2 million metric tons for 2005/06 and 7.15 million metric tons for 2006/07 (See Table 12-14). Removal of poultry TRQs in 2005 sharply increased imports of poultry meat. Industry sources expect a 15 percent reduction in local chicken production from 2004 levels in 2006 and 2007. Approximately 45 percent of Taiwan's feed production goes to the poultry sector, with most of the rest going to swine production. Despite of production shrink in poultry sector, Taiwan's swine sector remains strong and competitive to imports.

Stocks

Taiwan is a stable net corn import market, and ending stock levels have remained at around two and a half months of consumption to secure supplies and reduce costs.

Trade

Taiwan corn imports for 2005/06 and 2006/07 are forecast at 4.9 and 4.85 million metric tons, which is a one to 2 percent decrease from the 2004/05 level. Although changes in world corn prices may stimulate more imports of feed wheat, barley and/or sorghum, these shipments are not expected to have a major impact on Taiwan's corn market.

The United States has enjoyed at least a 95 percent share of total imports for number of years and is expected to remain the principle corn supplier, although high prices may slightly erode market share by encouraging experimentation with feed wheat or corn from new origins. High corn prices usually spur small-volume corn imports from non-U.S. sources, with Argentina being the largest competitor. PRC and Thai corn are also expected to enter Taiwan in small amounts along with minor shipments from Southeast Asia.

In 2004/05, the United States had a 97 percent share of total corn imports, while Argentina took 2 percent, and other counties combined for 1 percent. During the forecast period, the largest potential threats to the U.S. corn market in Taiwan are increasingly competitive south American corn exports to Taiwan and a steeper than expected decline in the Taiwan broiler sector. Geographical proximity, the availability of smaller shipments and improvement in the cross-strait relationship could create opportunities for PRC corn in the future. However, increasing container shipments of U.S. corn is likely able to compete with PRC corn in small shipments. According to local industry, approximately 500,000 MT, accounting for 10 percent of U.S. corn shipments, were shipped to Taiwan in containers in CY 2005. In the short-term, tightening PRC corn supplies and growing domestic demand have reduced the immediate threat of large-scale corn exports to Taiwan.

Distillers dried grain (DDGS)

Distillers dried grain (DDGS) imports continue to increase, and substitute for soybean meal imports. In addition to the 19 thousand metric tons of DDGS that were imported under HS2303 in 2004/05, 20 thousand metric tons may have been imported under HS2306.7000, which has a zero percent rather than a three percent duty rate.

Corn Substitutes

Although high corn prices may encourage some small imports of other feed grains such as feed wheat or barley, it is unlikely that these products will see large gains in market share. In 2004, the feed inclusion rate for corn remained at approximately 65 percent, based on corn supply and feed production figures. The feed inclusion rate of other feed grains combined has been 3 to 4 percent in recent years. In 2005 Taiwan imported 140,000 tons of barley (also 140,000 tons in 2004), 75,000 tons of sorghum (51,000 tons in 2004), and 16,000 tons of Indian wheat (67,000 tons in 2004). Estimated feed inclusion rate for corn for 2005 is 66 percent.

The Taiwan feed millers imported feed wheat for the first time in 2000. Feed wheat imports are expected to decrease because of the availability of Australian barley and rather calm world corn prices in 2006. Taiwan has stopped the widespread use of rice for animal feed after entering the WTO in January 2002. However, approximately 50,000 mt of old typhoon damaged rice was used for feed in 2004 and a similar quantity is expected in future periods.

Development of Industrial Uses for Corn

The U.S. Grain Council (USGC) office in Taiwan has been developing the Taiwan bioplastics market, which could eventually become a significant outlet for U.S. corn. USGC is also exploring ways to increase the use of biodegradable plastics to meet demand created by growing environmental restrictions on the use of conventional petroleum products. Problems with the functionality of the bio-plastic in some applications have led to a delay in a ban on the use of conventional plastic for some types of food packaging.

Policy

Cross-Straits Trade

In October 2002, Taiwan allowed the entry of PRC corn, giving China its first opportunity to enter the Taiwan market. So far, Taiwan has authorized limited imports of many Chinese food products to make up for local shortages, although there is a trend to liberalize imports from China. PRC corn has only been allowed entry during three periods:

- October - December 2002, with imports of 71,000 tons
- November 2003 - January 2004, with imports of 67,502 tons.
- March - May 2004, with imports of 22,946 tons.

Since May 2004, the market has been closed. Taiwan authorities review these restrictions every six months. Taiwan also reviews petitions submitted by industry groups. Several feed millers with investments in China have linked up with Taiwan swine producers and petition Taiwan authorities to permanently end the import ban whenever world corn prices rise.

Although periodic market openings to PRC corn may continue, allowing its entry permanently is a major step that would only likely occur after lengthy deliberations. There are several reasons for this caution: One, Taiwan commercial feed millers/corn importers have resisted the introduction of PRC corn because it will undermine their long-standing group buying arrangements that have allowed companies to import large cargoes on favorable terms. Two, the PRC has not proven to be a reliable supplier to other markets because it has cancelled shipments with little advance notice. Three, PRC corn is of uncertain quality, which could complicate attempts to calculate feed rations. Four, China appears to be subsidizing corn exports, which is contrary to its WTO Accession Agreement commitments. The export subsidy was the major reason why PRC corn was competitive in Taiwan in 2002-2004.

If the ban were lifted, the geographic proximity of Northeast China to Taiwan could allow smaller shipments, faster delivery and lower carrying costs for Taiwan importers relative to U.S. corn. PRC shipments could also make it possible for small firms to import corn independently of the traditional major buying groups. On the other hand, China's advantage in making small shipments may be offset by U.S. feed grain supplier's ability to use containerized shipments to supply Taiwan. Very low container backhaul rates to Taiwan from the U.S. could make this an attractive prospect for U.S. grain exporters.

Livestock Initiatives

To adjust to post-WTO trade conditions and 2005 import liberalization, Taiwan livestock and feed industries are working to improve the competitiveness of Taiwan poultry and swine production. The National Animal Industry Foundation (NAIF) was formed in January 2000 to support the differentiation between locally produced chicken and pork products from imported products by establishing logos related to freshness and taste. The Taiwan Council of Agriculture (COA) is also attempting to improve the quality of domestically produced meat and poultry products in order to compete more effectively with imported products. COA has also worked to reestablish Food and Mouth Disease (FMD) free status in order to resume pork exports to Japan. FMD free status without vaccination is scheduled for January 1, 2007. In addition, COA is promoting a traceability system to differentiate locally produced meats from imported products, and to market local products on the basis of freshness, safety and quality.

Biotechnology Update

On February 23, 2001, the Taiwan Department of Health (DOH) promulgated regulations on bioengineered food labeling and registration. Although these regulations only applied to soybeans and corn and products, they will likely be expanded to other products. A bioengineered food safety approval and labeling regulation took effect on January 1, 2003. No bioengineered soybean or corn may be produced, processed, prepared, packed, and imported or exported unless they are registered. All bioengineered varieties of soybeans and corn must be registered and approved by the Food Safety Bureau (FSB) of the Department of Health (DOH).

Corn food products made of non-bioengineered materials can be labeled "Non-Genetically-Modified" on a voluntary basis. The labeling regulations do not apply to products that do not contain pieces of transgene(s) or protein such as cornstarch, corn syrup and corn oil. Taiwan uses a 5 percent tolerance level by weight to determine a product’s bioengineered status. Corn foods sold at traditional "wet" markets and at restaurants do not require labeling, a practice that was recently criticized by consumer groups.

Taiwan has approved 11 of the most widely commercialized bioengineered corn and soybean events. It is currently drafting a basic law to cover all products derived from biotechnology. The first draft law was completed and was published on March 23, 2005, for comment. The draft, along with comments, was subsequently discussed in the GM Products Task Force, which is under the Executive Yuan (“EY” or cabinet). After the first comment period and discussion completed, Taiwan re-drafted its basic law proposal and held an explanation meeting to the public in December 2005. In the explanation meeting, the public was exposed to all possible variations of each draft article and it was impossible to determine what will be in the final draft law. If the draft is finalized then it will be submitted to the EY for review before going to the Legislative Yuan (parliament) for consideration. Taiwan has no clear timeline over how long it will take to finalize the biotech law.

In the meantime, Taiwan has been increasing its funding for biotech food regulation. It recently allocated a two-year capacity building budget of NT$1.4 million or $420,000 to facilitate conducting food safety assessments. The project includes a review of the Guidelines for GM Food Safety Assessment approval registration, (stacked event and bio-engineered microorganisms will be included on the review) and funding for a university lab for GM food safety assessment.

Taiwan implemented regulations for LMOs under the terms of its recently amended Plant Variety and Plant Seed Act, which went into effect June 9, 2005. Its related regulations and rulings can be found at

http://law.moj.gov.tw/eng/fnews/Fnmore.asp?lawType=c .

The “Rules for Approving Import/Export Transgenic Plants” were announced on July 7, 2005. Commodities for food, feed and processing use have been excluded from the ruling and are not required to apply for additional approval registration to the Taiwan authority at the Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ).

U.S. – Taiwan Goodwill Missions

In September 2005, Taiwan bulk commodity importers signed non-binding Letters of Intent to import a total of at least 1.7 million metric tons of wheat, 7.5 to 10 million tons of corn and 2.6 to 2.8 million tons of soybeans in 2006 and 2007. Taiwan is preparing to send another “Goodwill Delegation” in 2007.

Rice Situation & Outlook

Table 3. Rice Production, Supply and Demand, 1,000 MT

PSD Table							
Country	Taiwan						
Commodity	Rice, Milled				(1000 HA)(1000		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
USDA Official [Old]		Post	USDA	Post	USDA	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Harvested	237	237	258	269	0	258	(1000 HA)
Beginning Stocks	304	451	249	437	174	382	(1000 MT)
Milled Production	1011	1011	1025	1033	0	1044	(1000 MT)
Rough Production	1434	1434	1454	1467	0	1481	(1000 MT)
MILLING RATE (.9999)	7049	7049	7049	7041	0	7049	(1000 MT)
TOTAL Imports	158	156	125	63	0	189	(1000 MT)
Jan-Dec Imports	125	156	125	63	0	189	(1000 MT)
Jan-Dec Import U.S.	40	83	0	21	0	127	(1000 MT)
TOTAL SUPPLY	1473	1618	1399	1533	174	1615	(1000 MT)
TOTAL Exports	99	56	100	26	0	100	(1000 MT)
Jan-Dec Exports	100	56	100	26	0	100	(1000 MT)
TOTAL Dom.	1125	1125	1125	1125	0	1125	(1000 MT)
Ending Stocks	249	437	174	382	0	390	(1000 MT)
TOTAL DISTRIBUTION	1473	1618	1399	1533	0	1615	(1000 MT)

Rice Production

Targeted rice production remains just slightly above 1 million tons from a targeted production area of 258,000 hectares. The targets are designed to accommodate 144,720 mt (brown rice basis) of imported rice. This quantity of rice has been imported annually since Chinese Taipei joined the World Trade Organization in 2002. In 2002, rice imports did not significantly impact the local rice market because imports began late in the year. However, anticipation of rice imports pushed local rice retail market prices to a decade low of NT$29/kg in 2003. To put a floor under prices, COA increased its purchases of rice, referred to as “surplus purchases” or “import relief purchases” previously, to balance the market. In February 2004, rice retail market prices rose to NT$34/kg and have remained at this level. This price is higher than the average rice retail price at NT$32/kg in 2001, the year before Taiwan opened to rice imports. (See Table 4 for details)

Higher prices have enabled Taiwan to release publicly imported rice to the market quickly in 2004-2005. As of April 21, 2006, Taiwan has released all rice imported by the public sector from 2002-2004 and part of 2005 imports to the local market. The most recent release was announced March 14, 2006; see Table 5 below for further details.

Starting in the Spring of 2005, the success of Thai fragrant rice imports spurred commercialization of a new local fragrant rice variety in northern Taiwan. So far, the new Taiwan fragrant rice has been well received by local consumers. In addition, a new glutinous rice variety and a high-end Japanese variety were commercialized in 2004 and 2005. To differentiate local rice from imported varieties, Taiwan sells local rice with variety, specialty and geographical (county) labeling.

Consumption

Estimated total domestic rice consumption for 2004 and 2005 has been reduced to 1.1 million tons, based on newly released per capita consumption of 48.70 kg in 2004. Domestic consumption is forecast to remain at that level in 2006. Market promotions are unlikely to increase total demand, but could shift rice significantly between varieties and origins.

Stocks

Estimated Taiwan ending rice stocks are fell in 2005 because of a delay in public rice imports. However, stocks in 2006 are expected to increase due to 2005 public import shifted to 2006 and the likelihood of smaller food aid exports than the target level of 100,000 tons.

Trade Import

In 2003, Taiwan switched its import regime to a Tariff Rate Quota (TRQ) system from the Minimum Market Access (MMA) system used in 2002, its first year in the WTO. The total quota amount remains at 144,720 mt on a brown rice basis (equivalent to 126,000 tons on a milled rice basis). Of this total, 65 percent is reserved for government purchases and 35 percent for the private trade. All grain dealers who have registered with COA and have a grain dealer license may bid for rice import quotas. The out-of-quota tariff rate is NT$45/kg for rice and NT$49/kg for processed rice products, with conversion factor of 1.15 to convert from milled or processed products to brown rice.

Taiwan's change to a TRQ system was submitted to the WTO in October 2002. In December 2002, it passed enabling legislation without prior consultation with WTO members, triggering a formal objection from the U.S., Australia, and Thailand in Geneva. The objections were based on Taiwan's lack of consultation, the removal of previous negotiated WTO head note language and associated concessions, and the extremely high out of quota duty. Taiwan and its trading partners continue to make progress in resolving the issue.

Although Taiwan has switched to a TRQ regime, it has fulfilled its obligation to import the full quota amount of rice, with virtually 100 percent fill rates for quotas both in public and private trade. See Table 6 below for quota fill data.

Private Trade

Thailand had an 83 percent share of the 2005 rice private trade, followed by the United States with 14 percent, Japan 1 percent, and Egypt and Australia each had less than 1 percent.

Under the TRQ, importers bid for quota rights that are sold to the highest bidders first. Using the so-called "System Three" quota bidding system, Taiwan has already successfully allocated all 50,652 mt (brown basis) of 2006 quota rights to local importers as of April 28, with the bid prices ranging from NT$12.090/kg to NT$16.500/kg (brown basis). The specific quota allocation results for the private trade are reported in GAIN TW6007. Prices in 2006 were about the level of 2005. The cost for quota rights reflects conditions in the local rice markets – higher local prices make import rights more valuable.

The private quota for 2005 was 100 percent filled. Taiwan did not even have to use its quota reallocation mechanism in 2005, which redistributes unused import rights. Only a few quota holders, who failed to import rice before September 15, had to request extension of their quota rights to the end of year.

Public Trade

The United States continues to dominate the public rice trade, with a 75, 75, 83 and 80 percent shares in 2002-2005 public imports, respectively. In 2005, Thailand captured a 17 percent share and Australia 3 percent, while Egypt didn't participate in the rice tenders.

The 2006 public tender schedule has yet to be published. In 2005, Taiwan delayed its completion of public rice tenders because offered bidding price exceeded the set ceiling price. There is 73,701 tons (on a brown rice basis) of public tendered rice from 2005 that will enter Taiwan in 2006.

Tight Supplies of Glutinous Rice Continue

Taiwan produces approximately 65,000 mt of glutinous rice a year, with domestic supply and demand generally balanced in most years. In 2004, glutinous rice prices increased sharply because of the timing of the Chinese New Year and the Dragon Boat Festival, which both came before the Taiwan spring rice harvest. This generally only happens every four years when planting season starts late because of the leap year. Taiwan imported 22,000 tons of glutinous rice in 2004 and 24,000 tons in 2005. The Dragon Boat Festival is around the corner, and falls on May 31 this year. As of late April, glutinous rice market is quiet and prices remain at NT$43/kg for short grain and NT$42/kg for long grain milled glutinous, approximately one NT dollar less compared to a year earlier. This desire to stabilize prices is the primary reason why Taiwan has continued to tender for glutinous rice in 2004 and 2005. (See Table 7 for Taiwan Customs statistics on HS codes)

Exports

Taiwan stopped selling surplus rice onto the world market at discounted prices after WTO entry.

In 2005, commercial exports amounted to 345 mt, of which 271 mt or 78 percent was destined for Japan. Taiwan's rice industry was very proud of entering the Japan market since its exports meet Japan's sanitary standards, one of the most stringent in the world. Taiwan authorities and growers have used this Japan trade to promote domestically grown rice to local consumers. The rice to the Japan market was produced in east Taiwan and was purchased and milled by the local township farmers' association who recently complaint to Taiwan government for not making profits from exports to Japan. However, farmers are proud of being able to ship rice to Japan and have urged the association to continue selling rice to Japan. The rice has benefited the township by attracting tourists. The attraction is recognition of the township as a "clean" farmland.

Taiwan also sent 25,504 tons of rice (milled basis) as food aid to needy countries in 2005 to control stocks. (See Table 8 for details.)

Policy

Imported rice continues to be inspected on a lot-by-lot basis for pesticide residues, heavy metal and aflatoxin by the Bureau of Standards, Metrology and Inspection (BSMI). This raises some national treatment concerns, as domestically produced rice does not appear to be subject to such inspection. In March 2004, this issue was mitigated slightly when the Agriculture and Food Agency (AFA) under the Council of Agriculture moved to monitor pesticide residues in domestically produced agricultural products, including rice.

Marketing

The introduction of imported rice has resulted in the diversification of the Taiwan rice market into different origins and varieties. Taiwan customers now have the choice of many different types of rice, including Calrose, Koshihikari, Jasmine or Tamanishiki. With the exception of specialty rices, Taiwan customers prefer local freshly produced and milled rice. Calrose doesn't fall in the specialty rice category and goes to institutional use, which accounts for 65 to 70 percent of total rice distribution. Institutional use is also stimulated by the lack of a price premium for Calrose on the Taiwan market. However, many Taiwan millers prefer marketing a 20/80 Calrose/Taiwan rice mix to increase profits. However, specialty rice such as Jasmine Thai rice or Missouri rice, Koshihikari, organic brown, rice with germ, and certified Taiwan good quality rice are priced higher than general rice varieties. The USA Rice Federation has launched consumer promotion activities in 2004 to promote 100 percent U.S. rice packs to increase consumer awareness of U.S. high quality rice. The 100 percent U.S. rice packs have yet to become popular, and are available only during the promotion period.

The diversification of rice products and the presence of new premium varieties has made local consumers increasingly concerned about false labeling of commercially packed rice. To help ensure that people get what they pay for, COA is conducting research on how to better monitor rice freshness, varieties, and origins to ensure more truth in labeling. Current rice labeling guidelines require that commercially packed rice list rice origin, local production county for Taiwan rice, or both for mixed origins. There is an ongoing project to build a "rice DNA fingerprint data bank" to cover rice varieties from Taiwan, the United States, Australia, Thailand, and Mainland China. DNA fingerprints will help prevent false labeling on rice packages and illegally transshipped rice. In March, a congressman criticized Taiwan authorities for allowing mixed origin rice packs to be promoted as domestic rice with county geographical indication, which has misled consumers. As a consequence, Council of Agriculture (COA) announced in April, all mixed origin rice pack should have mix ratio and origins on the front of the package, effective July 1, 2006.

Taiwan rice millers are using different market strategies to respond to the post-WTO market. Large millers are both importing and investing in new milling/packing facilities to improve quality in order to capture a larger market share. One top local miller has taken out newspaper ads for imported U.S., Japanese, Australian, and Thai rice sold under his brand, while some millers claim that they will stick with locally grown rice and segregate it from imports though advertising. COA is training its staff to inspect packaged rice in retail outlets to improve domestically grown rice quality in order to be able to compete more effectively with imported rice.

Taiwan rice producers have also attempted to gain from other changes in consumption. With the rise of fusion food, Taiwan rice producers have aimed to compete with imported rice from various suppliers though menu promotions using local equivalents of Risotto, Southeast Asia chicken rice and Xing-Jiang rice. These promotional activities of locally produced rice are becoming market challenges to the U.S. Rice Export Federation's menu promotions.

Since Taiwan's rice production cost is much higher than imported rice, Taiwan agricultural authorities have been working with local rice millers/farmers to improve quality under a voluntary Taiwan Good Rice Program. In September 2004, the first ever rice contest was held to highlight Taiwan's best rices. The champion rice was sold thru auctions to encourage rice farmers to focus on high quality rice. The champion rice was sold at as high as NT$20,000/kg. Despite these efforts, the local HRI sector remains skeptical, especially because of the high prices for local rices.

Guaranteed Rice Purchase Prices

Two voluntary programs existed under which farmers can sell rice to Taiwan central authorities for pre-established prices: the guaranteed purchase program and guidance purchase program. Sales under these programs are limited to certain quantities per hectare. If a farmer were to sell the maximum per-hectare quantities allowable under these two programs, program sales would roughly equal half of production.

These two basic purchase programs have not changed fundamentally since 1993. However, in October 2003, Council of Agriculture (COA) allocated a NT$2 billion (approximately $600 million) from the Import Relief Measure funds to purchase additional paddy rice to stabilize the local rice market. The eligible amount of surplus purchase is set at 3,000 kg/ha for the spring crop and 2,360 kg/ha for the second crop. These were calculated on the five-year, 1998-2002, average production level minus the existing two basic purchases. The surplus purchases were triggered by declining paddy rice prices that slipped by 18 percent below the five-year average level of NT$15.6/kg. These lower prices were a result of Taiwan's larger than expected rice harvest and implementation of Taiwan's WTO commitment to import 144,720 tons of rice. The surplus purchases pushed up the paddy rice price to NT$16.2/kg on December 12, 2003, and the current paddy prices are NT$19.03/kg and NT$18.33/kg for Japonica and Indica rice, respectively.

Taiwan plans to keep the surplus purchase mechanism in place along with the two basic purchase programs established long before Taiwan's accession to the World Trade Organization. Farmers have been pressing to increase the import relief purchase price to NT$23/kg to their reflect production costs, but the request was refused because it would have likely pushed Taiwan's AMS above WTO limits. Higher payments would have also created an incentive to increase production further, creating more downward pressure on the rice market while pushing up stocks levels and complicating plans to dispose of domestically produced rice.

SECTION II. STATISTICAL TABLES

Table 4. Rice Retail Prices, 2005-06

Prices Table			
Country	Taiwan		
Commodity	Rice, Milled		
Prices in	NT Dollar	per uom	100 Kg
Year	2005	2006	% Change
Jan	3474	3498	1%
Feb	3477	3503	1%
Mar	3486	3488	0%
Apr	3489	3440	-1%
May	3449		-100%
Jun	3346		-100%
Jul	3313		-100%
Aug	3228		-100%
Sep	3353		-100%
Oct	3463		-100%
Nov	3489		-100%
Dec	3511		-100%
Exchange Rate	NT$31.99	Local Currency/US $	
Date of Quote	04/24/2006	MM/DD/YYYY	

Table 5. Market Releases of Public Rice, as of April 21, 2006

TYPES OF GRAINS/CROP YEAR	ORIGINS	RELEASED QUANTITY IN MT	RELEASED PRICE	*WHOLESALE MARKET PRICE IN APRIL 2006
Medium brown/ 2005	U.S.A.	200	NT$25.06/kg	NT$24.79/kg
Medium brown/2004	U.S.A.	789	NT$22.58/kg	NT$24.79/kg
Short Glutinous milled/2004	U.S.A.	60	NT$36.01/kg	NT$36.47/kg
Short brown/2005	Australia	100	NT$25.06/kg (cold storage)	NT$24.79/kg
Long milled glutinous/2003	Thailand	108	NT$27.00/kg	NT$34.32/kg
Long brown fragrant/2005	Thailand	100	NT$25.25/kg	NT$24.79/kg

*The quoted wholesale prices are Japonica brown rice, milled long and short grain glutinous rice, respectively, which are official prices published by COA and are a general average price, with no indication of crop year or grade. The COA set market released prices do reflect crop years and storage conditions etc market value factors.
Source: Council of Agriculture.

Table 6. Import Summary Table for 2005 Quota Fill

ORIGIN	2005				2004			
	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share
The United States	75,248	7,181	82,429	57.0%	77,826.5	6,605	84,431.5	58.3%
Thailand	16,420	42,001	58,421	40.4%	6,241.5	24,431	30,672.5	21.2%
Australia	2,400	256	2,656	1.8%	10,000	222	10,222	7.1%
Egypt	0	380	380	0.3%	0	19,081	19,081	13.2%
Japan	0	528	528	0.4%	0	256	256	0.2%
Other Countries	0	259	18	0.2%	0	39	39	--
Grand Total	94,068	50,605	144,673	100%	94,068	50,634	144,702	100%
Quota Fill Rate	99.996%				99.999%			

Source: Council of Agriculture (COA)

Table 7. Rice Imports for 2005 in Metric Tons by HS code

Origin	HS100620 (brown-public)	HS100620 (milled-public)	HS100630-0010 (glutinous)	HS10063-0090 (milled-private)	HS100640 (broken)	Total/Share
U.S.A.	17,467	15196	1,666	5,832	0	21,028/33%
Australia	19	16	0	204	0	220/0.3%
Egypt	0	0	0	330	0	330/0.5%
Thailand	1	1	21,024	40,155	1,214	41,370/65%
Japan	14	12	0	352	0	364/0.6%
India	1	1	0	9	200	210/0.3%
Vietnam	0	0	1,056	1,056	0	
Italy	0	0	0	3	0	3
Total	17,502	15,226	23,746	47,941	1,414	63,381

Source: Taiwan Customs Statistics, websites at http://www.trade.gov.tw

Table 8. Food Aid Statistics Table for 2005 (on a milled basis)

DESTINATION	TONNAGE
Indonesia	23,004
Laos	1,500
Sri Lanka	1,000
Total	25,504
Source: Council of Agriculture (COA)	

Table 9. Taiwan's Rice Purchase Programs

	Guaranteed Purchase (paddy basis)	**Guidance Purchase (paddy basis)**	**Surplus Purchase (paddy basis)**
Variety	Price NT$/kg	Price NT$/kg	Price NT$/kg
Japonica rice	21	18	16.6
Indica rice	20	17	15.6
	Quantity kg/ha	Quantity kg/ha	Quantity kg/ha
Spring Crop	1,920	1,200	3,000
Fall Crop	1,440	800	2,360

Source: Taiwan Council of Agriculture

Table 10. Tariff Rates for Grains

HS CODE	GRAINS	CURRENT TARIFF (%)
1001.10 & 1001.90	Wheat	6.5
1101.00	Wheat Flour	17.5
1005.10	Corn	0
1007.00	Sorghum	0
1003.00	Barley	0
1006	Rice	NT$49 per kg**
	Source: Taiwan Customs Tariff Schedule **Out of Quota rate for unprocessed rice. Private Sector rice imports will enter through the System 3 auction quota allocation system with a price ceiling at NT$23.26 per kg	

Table 11. Pork Imports vs Domestic Production and Wholesale Market

Year	Pork Imports in 1,000 mt		Domestic Pork Production in 1,000 head	Auction Price in NT$/100kg-head
	Meat	Offal		
2001	16	5	10,420	3,976
2002	19	10	10,060	4,336
2003	33	23	9,460	5,298
2004	40	38	9,410	5,912
2005 (esti.)	25	20	9,500	5,327
2006 (fore.)	35	26	9,450	5,300
2007 (fore.)	35	26	9,400	5,300
Source: Council of Agriculture (COA) and National Animal Industry Foundation (NAIF).				

Table 12. Total Poultry Meat Imports vs Domestic Production

Year	**Chicken Meat Imports in 1,000 mt**	**Domestic Poultry Production in 1,000,000 birds**	**Farm Price in NT$/kg**
2001	19	415	30.96
2002	28	415	33.70
2003	37	409	33.37
2004	46	417	33.73
2005 (esti)	80	394	33.95
2006 (fore.)	80	354	33.00
2007 (fore.)	80	354	33.00
Source: Council of Agriculture (COA) and National Animal Industry Foundation (NAIF).			

Table 13. Feed Production for 2001-2006 in 1,000 mt

FEED PRODUCTION	2002	2003	2004	2005 (ESTI.)	2006 (FORE.)	20076 (FORE.)
Total Compound Feed Produced	7,563	7,544	7,406	7,300	7,200	7,150
by commercial producers	4,921	5,083	5,004	4,930	4,865	4,840
by integrated producers	2,642	2,461	2,403	2,370	2,335	2,310

Table 14. Non-Grain & Feed Reports Bibliography

Report #	Date	Title
TW4043	10/13/2004	Bioplastics
TW5026	08/31/2005	Poultry Annual
TW6007	02/27/2006	Private and Public Tender Update
TW6001	12/29/2005	Oilseeds and Products Annual
TW6004	01/27/2006	Livestock Semi-Annual
TW6005	02/14/2006	Completion of Private and Public Tender
TW6007	02/27/2006	Private and Public Tender Update